

Date of Hearing: May 6, 2015

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT

Brian Maienschein, Chair

AB 1350 (Salas) – As Amended April 28, 2015

SUBJECT: Kern County Hospital Authority.

SUMMARY: Makes changes to existing law which authorizes the Kern County Board of Supervisors (Board of Supervisors) to establish the Kern County Hospital Authority (Authority). Specifically, **this bill:**

- 1) Makes a number of changes to existing law which authorizes the Board of Supervisors to establish by ordinance the Authority and to allow for the transfer of the county-run Kern Medical Center (KMC) to the Authority.
- 2) Defines "transfer of control of the medical center" to mean "the transfer by the County to the Authority of the maintenance, operation, management, and personnel of the medical center, whether by lease, transfer of ownership, or other means, as provided by, and subject to, any conditions and limitations specified by the Board of Supervisors in the enabling ordinance."
- 3) Adds to the list of terms and conditions the Board of Supervisors may include in the enabling ordinance to transfer control to the Authority from Kern County (County), whether funds of the Authority shall be deposited in the custody of, and paid out solely through, the County's treasurer's office.
- 4) Changes the effective date from the date the County adopts the enabling ordinance to transfer control to the Authority instead to the actual date of the transfer of control to the Authority in a number of provisions in existing law which require the Authority to be bound by the terms of memoranda of understanding (MOU) between the County and its employee representatives and in several other provisions that provide protections for employee benefits.
- 5) Requires the Authority to be treated as a public employer that offered a plan of replacement benefits prior to January 1, 2013. Provides that the County's plan of replacement benefits that was in effect prior to January 1, 2013, is deemed to be the Authority's replacement plan for the sole purpose of allowing the Authority to continue to offer the plan of replacement benefits, immediately after the transfer for Kern County Employees' Retirement Association members who meet specified requirements.
- 6) Authorizes the Authority, if not otherwise required pursuant to the enabling ordinance to deposit its funds in the county treasury, to establish its own treasury.
- 7) Provides that the powers granted to the Authority, pursuant to existing law, may be subject to any terms, conditions, and limitations imposed by the County's enabling ordinance.
- 8) Adds physicians and other provider types and coverage mechanisms to the list of services, coverage, and programs that the Authority has the same rights as the county with respect to owning, operating, and providing.

- 9) Expands the County's authority to issue debt instruments, beyond revenue anticipation notes, to provide by loan or otherwise amounts necessary to the Authority to meet its operating and capital needs.
- 10) Provides that existing law, which governs the Authority, shall not be construed to limit the borrowing authority of the County.
- 11) Authorizes the Board of Supervisors, as applicable, to hold meetings relating to the Authority's trade secrets, as specified.
- 12) Authorizes the Board of Supervisors to contract for services or purchase items on behalf of the Authority.
- 13) Provides that the Authority's governing body (Board of Governors) has authority over procurement and contracts, unless otherwise provided for and subject to the limitations and conditions established in the enabling ordinance. Requires the Authority to adopt written rules, regulations and procedures with regard to procurement and contract functions.
- 14) Requires the Authority's ability to contract for personnel or other services and items, as specified, to only be limited by the provisions in this chapter and the Meyers-Milias-Brown Act.
- 15) Makes other technical and conforming changes.
- 16) Makes minor changes to the findings and declarations.

EXISTING LAW authorizes the Board of Supervisors to establish the Authority, and specifies the Authority's governance, powers, and procedures.

FISCAL EFFECT: None

COMMENTS:

- 1) **Prior Legislation.** Facing escalating costs, some county hospitals have sought to restructure their governance or affiliate with other hospitals in their areas. In these instances, the Legislature has granted several counties the ability to create health authorities, including Alameda [AB 2374 (Bates), Chapter 816, Statutes of 1996], Monterey [AB 276 (Alejo), Chapter 686, Statutes of 2012], San Luis Obispo [SB 538 (O'Connell), Chapter 899, Statutes of 1999], Santa Barbara, and Sonoma (for dental).

Most recently, the Legislature passed AB 2546 (Salas), Chapter 613, Statutes of 2014, which authorized the Board of Supervisors to establish a separate Authority to govern the County's medical center (KMC). AB 2546 contains several provisions to ensure that healthcare services remain accessible to patients regardless of their ability to pay and that the Authority, as a separate entity from the County, will still continue to serve as a hospital. AB 2546 also established requirements for the Authority upon the transfer of KMC employees.

- 2) **Bill Summary.** This bill builds upon the authority granted to the Kern County Board of Supervisors by AB 2546 to establish the Authority and to transfer the medical center to the separate Authority. This bill makes a number of changes to the laws governing the transfer of KMC.

This bill is author-sponsored.

- 3) **Author's Statement.** According to the author, "KMC serves a community of over 650,000 residents, including indigent individuals with no other means of obtaining medical care. KMC provides the only trauma care between Los Angeles and Fresno, and is vital to training physicians through academic residency and education programs.

"A hospital authority allows Kern County to benefit from the cost savings that can be generated by operating under a separate governance structure and provide opportunities for increased flexibility, responsiveness, and innovation. The law established extensive provisions intended to ensure the medical center will continue to provide affordable, high-quality health care services and that medical center employees will have a seamless transition of wages, benefits, and contracts without loss of rights or status. This bill contains technical and clarifying changes to ensure the successful transfer of KMC to an Authority."

- 4) **Arguments in Support.** Supporters argue that this bill makes a number of changes to provide for a smooth and equitable transition of KMC to a hospital authority.

- 5) **Arguments in Opposition.** None on file.

REGISTERED SUPPORT / OPPOSITION:

Support

California State Council of the Service Employees International Union (If Amended)
Kern County Board of Supervisors
Kern Health Systems

Opposition

None on file

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